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6 **UNITED STATES DISTRICT COURT**  
7 **CENTRAL DISTRICT OF CALIFORNIA**  
8 **SOUTHERN DIVISION**  
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10 SECURITIES AND EXCHANGE  
11 COMMISSION,

12 Plaintiff,

13 v.  
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15 CAPITAL COVE BANCORP LLC;  
16 CHRISTOPHER M. LEE aka RASHID  
17 K. KHALFANI,

18 Defendants.  
19  
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Case No. 8:15-cv-00980-JLS-JCx

**ORDER GRANTING RECEIVER'S  
MOTION FOR APPROVAL OF  
SETTLEMENT AGREEMENT WITH  
CENTER STREET DEFENDANTS (Doc.  
372)**

21 Before the Court is Receiver Robert Mosier's unopposed Motion for Approval of  
22 Settlement Agreement with Center Street Defendants. (Mot., Doc. 372.) The Court finds  
23 this matter appropriate for decision without oral argument. Fed. R. Civ. P. 78(b); C.D. Cal.  
24 R. 7-15. Accordingly, the hearing set for September 2, 2016, at 2:30 p.m. is VACATED.  
25 For the reasons stated below, the Court GRANTS the Receiver's Motion.

26 The Receiver seeks approval of a settlement agreement with the "Center Street  
27 Defendants": Center Street Lending LLC, CSL Lenders LLC, Center Street Lending  
28 Corporation, Center Street Lending Fund /WF I, LLC, Center Street Lending RE I SPE,

1 LLC, Center Street Lending MP III SPE, LLC, Center Street Funding IV, LLC, Center  
2 Street Lending Fund IV SPE, LLC, Center Street Funding V, LLC, and Center Street  
3 Lending Fund VII SPE, LLC. (Mem. at 4, Doc. 372.) The settlement agreement is in  
4 regard to the case entitled *Mosier v. Center Street Lending Corp., et al.*, Case No. 8:15-cv-  
5 01852-JLS-JCx, over disputed claims regarding several properties and liens attached to  
6 those properties held by the Center Street Defendants. (*Id.* at 1, 5–6.) The Receiver  
7 currently holds a total sum of \$5,338,546 on account of those liens in segregated accounts  
8 which represent the net proceeds from the sale of the properties. (*Id.* at 6.) The agreement  
9 provides that (1) the Receiver will retain \$2.1 million of the segregated funds; (2) the  
10 Receiver will pay the remainder, \$3,238,546, to Center Street Lending Fund IV LLC; (3)  
11 the Center Street Defendants’ claims will be deemed disallowed; (4) with the exception of  
12 two liens, the liens held by the Center Street Defendants will be assigned to the Receiver;  
13 (5) the Center Street Defendants will retain their liens against 1849 Country Club Road and  
14 1459 E. 121st Street, which will not be deemed to be part of the receivership estate; and (6)  
15 the parties will exchange mutual releases relating to their case. (*Id.* at 9–10.)

16 There are “no federal rules [that] prescribe a particular standard for approving  
17 settlements in the context of an equity receivership; instead a district court has wide  
18 discretion to determine what relief is appropriate.” *Gordon v. Dadante*, 336 Fed. Appx.  
19 540, 549 (6th Cir. 2009); *see also SEC v. Capital Consultants, LLC*, 397 F.3d 733, 738 (9th  
20 Cir. 2005) (“A district court’s power to supervise an equity receivership and to determine  
21 the appropriate action to be taken in the administration of the receivership is extremely  
22 broad.” (quotation marks and citation omitted)). Because Local Rule 66-8 directs a receiver  
23 to “administer the estate as nearly as possible in accordance with the practice in the  
24 administration of estates in bankruptcy[.]” the Court turns to bankruptcy caselaw for  
25 guidance. *See* C.D. Cal. R. 66-8. The Ninth Circuit has held that “[b]efore approving a  
26 settlement agreement, the bankruptcy court is charged with considering the ‘fairness,  
27 reasonableness, and adequacy’ of the agreement.” *United States v. Edwards*, 595 F.3d  
28 1004, 1012 (9th Cir. 2010) (citation omitted). When making this determination, bankruptcy

1 courts consider the following factors: (a) the probability of success in the litigation, (b) the  
2 difficulties to be encountered in the matter of collection, (c) the complexity of the litigation  
3 involved and the expense, inconvenience, and delay necessarily attending it, and (d) the  
4 paramount interest of the creditors and a proper deference to their reasonable views in the  
5 premises. *Id.* (citation omitted). Compromises are generally favored in bankruptcy actions,  
6 and the Court “generally gives deference to a trustee’s business judgment[.]” *See SEC v.*  
7 *Ruderman*, No. CV 09-02974 ODW (JCx), 2011 WL 5857452, at \*3 (C.D. Cal. Nov. 21,  
8 2011) (citing *In re Stein*, 236 B.R. 34, 37 (D. Or. 1999); *In re Pac. Gas and Elec. Co.*, 304  
9 B.R. 395, 417 (Bankr. N.D. Cal. 2004)).

10 The Court finds that approving this settlement agreement is in the best interest of the  
11 receivership estate. The Receiver’s ability to avoid the released liens is subject to  
12 uncertainty, litigation regarding these interests would unnecessarily drain the estate’s assets,  
13 and the release of these liens will lessen the debt that encumbers the properties at issue.  
14 The receivership estate will recover \$2.1 million under the terms of the agreement and the  
15 Center Street Defendants will release claims in the amount of \$5,113,793.88. Thus, the  
16 agreement provides a recovery that is proportionate to the successful prosecution of this  
17 action when discounts are factored in for the risk, time, and expense of fully litigating the  
18 case, and maximizes the funds available for distribution to creditors. Moreover, the  
19 agreements fairly take into account both the money invested and the payments already  
20 returned on investments with Capital Cove. The Court therefore finds the settlement  
21 agreement is fair, reasonable, and in the best interest of the receivership estate.

22 **IT IS HEREBY ORDERED THAT:**

23 1. The Receiver’s Motion is GRANTED.

24 2. The Settlement Agreement between the Receiver and the Center Street  
25 Defendants in Case No. 8:15-cv-01852-JLS-JCx, Center Street Lending LLC, CSL  
26 Lenders LLC, Center Street Lending Corporation, Center Street Lending Fund /WF I,  
27 LLC, Center Street Lending RE I SPE, LLC, Center Street Lending MP III SPE, LLC,  
28

1 Center Street Funding IV, LLC, Center Street Lending Fund IV SPE, LLC, Center  
2 Street Funding V, LLC, and Center Street Lending Fund VII SPE, LLC, a copy of  
3 which is attached to the Motion as Exhibit "1," is hereby approved.  
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7 DATED: August 31, 2016

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11 Honorable Josephine L. Staton  
12 United States District Judge  
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